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Australia

Citrus

Annual

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Report Highlights:

Post estimates total orange production for 2001/02 at 437,000 MT and forecasts 2002/03 production at 591,000 MT, an increase of around 35 percent. Post forecasts orange exports for 2002/03 at 150,000 MT, unchanged from the previous year. Orange juice production for 2001/02 is forecast at 12,261 MT and for 2002/03 at 20,996 MT, nearly double the previous year. Post forecasts imports of orange juice to decrease eight percent in 2002/03, falling to 24,000 MT.

Includes PSD changes: Yes

Includes Trade Matrix: No

Annual Report

Canberra [AS1], AS

Executive Summary	1
Fresh Oranges	2
Production	2
General	2
Weather	3
Consumption	3
General	3
Utilization Patterns	3
Marketing	4
Trade	5
General	5
Policy	5
General	5
Juice, Orange	7
Production	7
General	7
Consumption	8
General	8
Prices	8
Trade	9
General	9
Policy	10
General	10

Executive Summary

Post estimates total orange production for 2001/02 at 437,000 MT, a fall of 30 percent on the previous year and in line with revised industry figures. Industry sources state that Navel production fell by around 25 percent while Valencia production fell by around 34 percent. A return to average weather conditions greatly reduced total production for both varieties. Tree removal has also been suggested by industry sources as another factor in reducing Valencia production.

Post forecasts total orange production for 2002/03 at 591,000 MT, an increase of around 35 percent on the previous year. Industry sources fear that the industry may be returning to an "on year" and "off year" pattern as production has again sharply increased after a large fall. While this crop has been described by sources as large, quality is expected to be mixed. Cooler and drier conditions are anticipated to have produced above average levels of smaller sized fruit. Furthermore, windy conditions experienced recently across much of south eastern Australia has also created above average levels of chafed fruit which will not be suitable for export. Post anticipates that the larger crop and average to below average quality will lead to greatly increased amounts of fruit suitable for the domestic fresh market and for processing. However, with the crop suffering from a smaller average fruit size, the availability of fruit suitable for export is expected to be unchanged.

Post estimates orange exports for 2001/02 at 150,000 MT and forecasts exports for 2002/03 at 150,000 MT, unchanged from the previous year. Industry sources suggest that the significantly larger crop is likely to be of reduced quality and a lower proportion of fruit suitable for export.

Post estimates orange juice production for 2001/02 at 12,261 MT, just over half the level produced in the previous year and is in line with the dramatic reduction in estimated deliveries to processors. Greatly improved crop quality, combined with a smaller size crop greatly reduced the level of production available for processing.

Post forecasts juice production for 2002/03 at 20,996 MT, nearly double the previous year. A larger crop, increased prices offered by processors and reports of mixed quality have been the driving factors behind the increased juice production forecast. Producers' representatives have welcomed the increase in prices paid by processors following a period of low returns. According to industry sources the forecast tonnage for delivery to processors is more representative of the longer term average and represents a larger crop and a general increase in the returns offered by processors.

Post forecasts imports to decrease eight percent in 2002/03, falling to 24,000 MT. A larger crop and increased deliveries to processors will displace imported concentrate. Furthermore, industry sources suggest that recent increases in the cost of imported juice will increase the competitiveness of locally sourced juice.

Fresh Oranges

PSD Table						
Country	Australia					
Commodity	Fresh Oranges					
					(HECTARES)(1000 TREES)(1000 MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		04/2000		04/2001		04/2002
Area Planted	0	0	0	0	0	0
Area Harvested	0	0	0	0	0	0
Bearing Trees	6177	6177	6150	6150	0	6150
Non-Bearing Trees	965	965	900	900	0	900
TOTAL No. Of Trees	7142	7142	7050	7050	0	7050
Production	616	624	428	437	0	591
Imports	11	13	13	9	0	13
TOTAL SUPPLY	627	637	441	446	0	604
Exports	139	143	91	150	0	150
Fresh Dom. Consumption	188	192	180	136	0	180
Processing	300	302	170	160	0	274
TOTAL DISTRIBUTION	627	637	441	446	0	604

Production

General

Post estimates total orange production for 2001/02 at 437,000 MT, a fall of 30 percent on the previous year and in line with revised industry figures. Industry sources state that Navel production fell by around 25 percent while Valencia production fell by around 34 percent. A return to average weather conditions greatly reduced total production for both varieties. Tree removal has also been suggested by industry sources as another factor in reducing Valencia production.

Post forecasts total orange production for 2002/03 at 591,000 MT, an increase of around 35 percent on the previous year. Industry sources fear that the industry may be returning to an "on year" and "off year" pattern as production has again sharply increased after a large fall. While this crop has been described by sources as large, quality is expected to be mixed. Cooler and drier conditions are anticipated to have produced above average levels of smaller sized fruit. Furthermore, windy conditions experienced recently across much of south eastern Australia has also created above average levels of chafed fruit which will not be suitable for export. Post anticipates that the larger crop and average to below average quality will lead to greatly increased amounts of fruit suitable for the domestic fresh market and for processing. However, with the crop suffering from a smaller average fruit size, the availability of fruit suitable for export is expected to be unchanged.

Industry sources advise that the crop is currently running three weeks late, with harvest not yet under way. This has made forecasting the current 2001/02 crop difficult and sources advise that accurate industry forecasts are currently not available.

A recent GOA report valued citrus production at AU\$431 million for 1999/2000, about 14.6 percent of the total value of fruit produced in that year. The report stated that the 641,000 MT of citrus produced in 1999/2000 were distributed as follows: 311,000 MT of Valencia oranges; 196,000 MT of Navel oranges, 85,000 MT of Mandarins, 32,000 MT of Lemons and Limes, 13,000 of Grapefruits and 3,000 of other oranges. The report found that there were 3,444 establishments growing citrus in 1999/2000, down from 3,600 in 1993/94.

Weather

Industry sources report that a drier but cooler season in 2002/03 is expected to result in an increased proportion of smaller size fruit. Above average winds have also created above average levels of chafed fruit which industry sources suggest will not be suitable for export.

Consumption

General

According to the latest ABS data, citrus consumption per capita increased from 39.1 kilograms in 1988/89 to 56.4 kilograms in 1998/99. ABS has not released consumption data recently and post does not anticipate updated information to become available in the near future.

A recent government report tracked per capita consumption of fresh citrus within Australia between 1989/90 and 1999/2000. It found that consumption varied by as much as 40 percent over this period and peaked at just over 10 kilograms per capita in 1989/90, and fell to just under 6 kilograms in 1993/94. This report put consumption of fresh citrus at just over 9 kilograms per capita for 1999/2000.

Utilization Patterns

Post forecasts a 35 percent increase in production for 2002/03. While this crop is expected to be much larger than the previous year, the average quality is expected to be significantly lower with a lower percentage of the crop suitable for export.

Industry sources suggest a significant improvement in returns for processed oranges. Post anticipates a 71 percent increase in oranges delivered to processing which will do much to displace imported juice.

Marketing

Traditionally, the two major horticultural organizations in Australia have been the Horticultural Research and Development Corporation (HRDC) and the Australian Horticultural Corporation (AHC). The HRDC was responsible for research and development and the AHC was responsible for promotional activities. Both organizations were funded by levies paid by growers and received pro-rata government funding for specific purposes.

Horticulture Australia Ltd. (HAL) is the new organization that replaced the AHC and HRDC on February 1, 2001. It was established under corporations law as a not-for-personal-profit company in accordance with the Memorandum of Understanding (MOU) signed by 26 industry organizations. The focus of the new company is the continued marketing and promotion of horticultural products in both domestic and export markets as well as to exploit the opportunities for uptake and commercialization of new technology.

Trade

General

Official ABS statistics put exports at 143,439 MT in 2000/01. For the first eleven months of 2001/02, exports surpassed this figure reaching 145,365 MT, four percent higher than for the same period in the previous year. During this period Hong Kong, Malaysia, Singapore and Japan (in descending order) were four out of the top five export destinations for Australia's oranges contributing to 74 percent of total exports. The USA was the fourth largest export destination receiving a total of 16,941 MT, or 12 percent of total exports.

Post estimates exports for 2001/02 at 150,000 MT and forecasts exports for 2002/03 at 150,000 MT, unchanged from the previous year. Industry sources suggest that the significantly larger crop is likely to be of reduced quality and a lower proportion of fruit suitable for export.

Industry sources are concerned by the anticipated above average levels of smaller fruit for the 2002/03 harvest due to cooler and drier seasonal conditions. Typically this fruit would be sold on the domestic market or delivered to processors. While prices for processing have recovered significantly, above average levels of chafed fruit are likely to displace smaller fruit at processing. Industry sources are hopeful that some of the smaller fruit may be exported to markets such as Korea. However, Korea has traditionally been a very small market receiving only 1,132 MT of Australian oranges, or less than 1 percent of total exports, for the first eleven months of 2001/02.

Policy

General

In response to pressure from industry groups, the Government of Australia (GOA) requested the Productivity Commission to formally investigate the Australian Citrus industry. The Commission recently issued the report in February 2002 titled, "Productivity Commission 2002, *Citrus Growing and Processing* - Position Paper, Canberra, February." In conducting this report, the Productivity Commission was required to report on the competitive situation and outlook for the citrus growing and processing industry taking into account a broad range of factors. As part of this report, the Commission was directed to specify whether the circumstances were such that measures are necessary to enhance the competitiveness of the industry and if so what measures would be appropriate including whether a formal safeguards investigation is warranted.

The report stated that the industry is going through structural change driven by a range of factors including increased imports of frozen concentrate orange juice (FCOJ). The tariff rate applied to imported FCOJ is currently five percent, well below the bound rate of 24 percent. The report did not evaluate whether a safeguard inquiry would be likely to find that grounds exist for safeguard action.

In relation to the introduction of a temporary increase in the tariff on imported FCOJ the report found that:

"A temporary increase in barriers against imports of frozen concentrate orange juice would be unlikely to alleviate the financial difficulty being experienced by some growers. Further, it would be a poorly targeted instrument, assisting all growers, rather than those experiencing financial problems."

In arriving at this finding the report stated that a temporary increase in a tariff on imported FCOJ: would not benefit producers who were dependant on non-citrus crops and off-farm income; have little effect generally other than for those few growers who relied on juicing prices for the bulk of their crop; would reduce incentive for the industry to adjust; possibly attract retaliation from Brazil which has a trade surplus with Australia and would send the wrong message in the lead up to the forthcoming WTO round.

In relation to industry-specific adjustment assistance the report found:

"Assistance that focuses narrowly on commodities, such as citrus, can distort farm business decisions, with possible adverse effects on the efficiency of the sector. It can also result in inequities, delay inevitable adjustment, and be costly to administer."

In relation to the Commission's preferred approach for providing adjustment assistance the report found that:

"Given the diverse nature and financial performance of citrus growing enterprises, generally available measures of industry assistance are superior to further industry specific assistance, including a formal safeguards investigation, in addressing adjustment problems faced by some citrus growers."

The Productivity Commission will conduct hearings and receive submissions from stakeholders before publishing the

final report. The GOA is expected to announce its response after the receipt of the Commission's report. For further information on this subject refer to www.pc.gov.au.

Juice, Orange

PSD Table						
Country	Australia				Degrees Brix	
Commodity	Juice, Orange				(MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		07/2000		07/2001		07/2002
Deliv. To Processors	300	302	170	160	0	274
Beginning Stocks	20181	20181	17182	18404	10182	8136
Production	23000	23141	13000	12261	0	20996
Imports	22402	23815	28000	25958	0	24000
TOTAL SUPPLY	65583	67137	58182	56623	10182	53132
Exports	2401	2733	2000	2487	0	2500
Domestic Consumption	46000	46000	46000	46000	0	46000
Ending Stocks	17182	18404	10182	8136	0	4632
TOTAL DISTRIBUTION	65583	67137	58182	56623	0	53132

Production

General

Post estimates orange juice production for 2001/02 at 12,261 MT, just over half the level produced in the previous year and is in line with the dramatic reduction in estimated deliveries to processors. Greatly improved crop quality, combined with a smaller size crop greatly reduced the level of production available for processing.

Post forecasts juice production for 2002/03 at 20,996 MT, nearly double the previous year. A larger crop, increased prices offered by processors and reports of mixed quality have been the driving factors behind the increased juice production forecast. Producers' representatives have welcomed the increase in prices paid by processors following a period of low returns. According to industry sources the forecast tonnage for delivery to processors is more representative of the longer term average and represents a larger crop and a general increase in the returns offered by processors.

The quality of the crop can only be described as mixed and industry has not been able to estimate quantities of fruit destined for processing, export or domestic consumption. Furthermore, the crop has been described as "late" and harvest has not yet begun. Post advises that the 2002/03 crop has been more difficult than average to accurately forecast.

Post anticipates that fruit chafed by high winds will be destined for juicing and a proportion of the smaller fruit which is not suitable for export or domestic markets will also be delivered to processors.

Consumption

General

Post forecasts orange juice consumption to remain at 46,000 MT for 2002/03. Industry sources suggest consumption is flat with a trend away from products derived from concentrate toward fresh juice products.

A report published by the GOA recently, stated that fresh juice (NFCOJ) consumption accounts for around 30-35 percent of total juice consumption in Australia. The same report stated that fresh juice consumption increased by 23 percent between 1999 and 2001. Surprisingly, the report found that around 80 percent of this growth was driven by new citrus consumption and not from substitution for other citrus juice products.

In describing the increase in Fresh juice consumption, the report cited developments in the Australian fresh juice market as being similar to developments in the US fresh juice market. The similarities were listed as: increases in consumer income leading to an increase in consumption of fresh juice; consumer preferences putting greater emphasis on the convenience of fresh juice; consumers demanding products that are less processed and more natural; and increases in the prices for competing products.

Prices

Prior to recent times, prices received by citrus growers for deliveries to processors were regarded as "very low," with some producers receiving prices well below the cost of production. This situation has seen producers exiting the industry. However, the smaller and higher quality crop in 2000/01 followed by an increase in the world FCOJ price, has producers anticipating greatly improved returns for deliveries to processors in 2002/03. Furthermore, industry sources suggest high levels of Valencia tree removal, possibly creating competition between processors for processing fruit.

The Australian dollar has depreciated against the US dollar over the past year. Although the Australian dollar has appreciated slightly in recent times, producers are anticipating continued high returns from the US market.

Trade

General

According to official ABS statistics, orange juice imports increased nine percent for the first eleven months of 2001/02 reaching 18,289 MT. Brazil remained the largest supplier of imported orange juice accounting for 98 percent of domestic imports. Post estimates imports for 2001/02 at 25,958 MT, in line with the increase recorded for the first eleven months.

Post forecasts imports to decrease eight percent in 2002/03, falling to 24,000 MT. A larger crop and increased deliveries to processors will displace imported concentrate. Furthermore, industry sources suggest that recent increases in the cost of imported juice will increase the competitiveness of locally sourced juice.

Policy

General

See policy section under fresh oranges.